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THE CHAMBER OF COMMERCE OF NEW YORK, UPON FREE SILVER COINAGE.

ADDRESS OF JOHN JAY KNOX.

ALSO

"THREE PECKS TO A BUSHEL,"

FROM

The Journal of Commerce.

A special meeting of the Chamber of Commerce was called upon January 12, 1891, to receive the report of the Committee on Finance, composed of George S. Coe, President of American Exchange National Bank; John Jay Knox, President of the National Bank of the Republic; John Harsen Rhoades, President of Greenwich Savings Bank; and Wm. P. St. John, President of the Mercantile National Bank.

The report, signed by the first three gentlemen named, was submitted by Mr. Coe and adopted. Subsequently, the following resolution, introduced by Mr. Alexander E. Orr, was also adopted:

Resolved, "That it is the judgment of this Chamber that until a uniform coinage ratio between gold and silver is adopted by the commercial nations of Europe and the United States, the passage of an act of Congress, and its approval by the President, authorizing the unlimited free coinage of silver dollars of the present standard would result in forcing United States gold coin into an article of merchandise, thereby withdrawing it from circulation, and contracting the money of the country more than one-third of its present volume."

There was a full attendance of members.

Mr. John Jay Knox made the following address:

"I have heretofore refrained from discussing financial subjects before the Chamber of Commerce, considering that being but comparatively a new member of this body the time should be allotted to older members, whose experience as merchants entitles them to the floor. I take this occasion, however, to thank the Chamber for the honor it has conferred upon me for four years in electing me a member of its Committee on Finance. For I know of no honor which can be prized more highly by an officer of a bank than to represent the merchants of New York upon the Finance Committee of the most important business organization in North America.

"The questions before us for consideration, in addition to the proposition of the Secretary of the Treasury for an interchangeable currency, are:

"(1.) The bill now pending in the Senate which has been reported from the Finance Committee.

"(2.) The amendment of Senator Stewart providing for free coinage of silver.

"(3.) A substitute for these measures in a bill introduced by Senator Plumb in the Senate, which bill was prepared by a member of this Chamber.

"The bill reported from the Finance Committee of the Senate by Senator Sherman and now pending in the Senate, contains some excellent features. First, the bill provides for the refunding of 200,000,000 of United States 4 per cent. bonds into 2 per cents. All of the 4½ per cent. bonds which mature in September of the present year are now payable, principal and interest, at the Treasury Department, and after the payment of these bonds in September next there will be no United States bonds left unpaid except the 4 per cents, which are not payable until October 1, 1907. If the present 4 per cents can be gradually refunded into 2 per cents and the difference in value paid to holders, the Secretary will have an outlet for his accumulating surplus in the payment of such differences. The borrowing power of the Government is so low that the exchange of the 2 per cents for the 4 per cents can be so arranged that the exchange will be a great benefit—a profit—to both parties, and it will complete the refunding of the debt which was commenced at the close of the war in 1865 and was continued to the issue of the 4 per cents.

"While our Government has neglected to continue its system of refunding, owing to the difficulty of obtaining legislation, the English Government, taking the action of the Treasury Department in this country as a model, has refunded $2,800,000,000 of its debt into 2¾ per cents, with a contract for refunding into 2½ per cents, thus availing itself of the opportunity of placing its large debt at the lowest rate of any great nation. We have allowed England to steal from us our glory, to grasp the opportunity which was open to us, for we could easily have funded the whole of the 4 per cents into 2½ per cents, seven years ago, when the 4 per cents could have been purchased at 15 per cent. premium. These bonds could be readily placed in the market if the banks were authorized to receive them as a basis for circulation. But even if the banks were not authorized to receive the bonds, such legislation would be excellent.

"The Senate bill provides for reducing the amount of United States bonds which the National banks are required to keep with the Treasurer as security for their circulating notes. The advantages of a bank circulation over the inelastic, the cast-iron issues of the Government are well known to all financial men. We had the best system of paper currency in the world for a country like this, when it was equally divided between the greenbacks, which were the issues of the Government, and the issues of the National banks; but the prejudice has become so great against National bank issues that these institutions have long since given up all expectation of continuing to issue circulating notes. Instead of asking for an increase of notes, they urgently request that Congress will give permission to retire their notes now in circulation, and a bill has been pending in Congress for the last four years allowing each bank to reduce its circulation to $4,500, and permitting National banks hereafter to organize upon the deposit of $5,000 of United States bonds. This request is certainly most reasonable, and would gradually retire the notes of banks and make room for the silver issues which have already been authorized. The only reason given for not complying with this request is that a large reduction of the bank circulation may bring about contraction; but a section in the silver law, which was passed during the last session of Congress, provides that upon the retirement of National bank notes by depositing lawful money in the Treasury, the Secretary is authorized to purchase United States bonds with the money thus deposited.

"With this law enforced no possibility of contraction can follow until the notes are returned to the Treasury for redemption. The process of redemption is very slow. November 30, 1889, there was $70,000,000 of lawful money on deposit in the Treasury for the retirement of National bank notes, but only $17,000,000 of these notes were presented for redemption during the entire year. During the month of November last less than $1,500,000 were presented, while nearly $5,000,000 of new silver certificates or notes were issued.

"Banks should have the right to surrender their circulation and deliver their bonds to the Secretary for sale. All moneys deposited in the Treasury for the purpose of retiring National bank notes under the law passed during the last session of Congress can be immediately invested in Government bonds, so that if all the National bank notes should be returned in three years there would be no contraction, and the Government would save a large amount of interest upon its bonded debt.

"The whole amount of National bank notes now outstanding is less than $180,000,000. If Congress should give the banks permission to deposit lawful money and return all of the National bank notes now outstanding, it is not probable that $60,000,000 of these notes would be redeemed during the next three years, and during that time at least three times that amount of new silver notes would be issued. Judging from the experience of the last fifteen years, a considerable portion, probably one-half, of these notes would not be presented for redemption during the next ten years; and at least $15,000,000 wlll never be presented, which amount will be a net profit to the Government.

"If Congress should give the banks the privilege of retiring their own notes, which are now issued not with profit, but at a loss in many cases, the operation would have the effect of reducing the value of the bonds in the market, which the Secretary is continually purchasing. But the prejudice in Congress against the banks has been so great during the last five years, that while on the one hand Congress will not allow the banks to issue circulation at a remunerative rate, on the other hand it will not even allow the banks to retire the circulation, which is issued at a loss.

"Another section of the bill authorizes the purchase of additional silver and the issue of additional silver certificates. In my opinion, no additional paper currency is needed at the present time. During the last twenty years the circulation of the country has been nearly doubled; during the last year nearly $100,000,000 has been added to the circulation. It is true that during the last three months there has seemed to be a scarcity of currency. It originated in the fact that the people of this country prefer paper currency to coin, which is abundant; that small National bank notes have been rapidly retired, and only large notes issued in place thereof, and that while Congress authorized a large addition of silver certificates during its last session, it did not give the Treasury the facilities for furnishing small notes to the banks for use in the fall business. There was, therefore, a temporary deficiency. But the banks in the West and South are now full of these notes. The fall business is over, and there will be no urgent demand for a large portion of these notes again until the fall season of 1891. The silver certificates are rapidly being returned to the large banks in the cities.

"When National bank notes are returned in excess, they can be sent to the Treasury for redemption, where they are redeemable in legal-tender notes, and these notes can be converted into large certificates, which can be held by the banks in the large cities for Clearing House purposes, or they can be returned to the Treasury and be redeemed in gold. But the silver certificates, which are being returned in large amounts, have but one outlet, and that is by the return of the certificates to the Government in the payment of its dues. The paper circulation of the country is abundantly sufficient, and if not sufficient, the addition of $60,000,000 in the bill already passed during the last session of Congress will supply every possible deficiency.

"It is now proposed by Senator Stewart, before the effect of the act of the last session is known, providing an addition of $60,000,000 of silver certificates, to authorize the conversion of all the silver bullion which may be presented at the mints into paper currency!

"The issue of a large amount of additional silver certificates now, after the fall business is over, and the produce of the country delivered at the home and foreign market, may be compared to the purchase by a large railroad corporation of thousands of freight cars for the movement of freight after the principal freight business of the year is over. The cars would be of no use whatever; they would be worse than useless, for they would obstruct the business of the road. They must be placed upon side tracks and await the revival of trade or the growth of business, or sold to other corporations at a considerable loss both of interest and of principal. The freight car is a medium of transportation, the currency a medium of exchange. The wealth of the country consists not in its coin and currency, but in its great resources—its houses and lands, its railroads, its fences, and other improvements; in the grain and cotton and wool and hay and rice and cattle; in its ores and lumber and coal; in its immense amounts of raw material and manufactured goods, which are the result of the industry of millions of people.

"The freight car and the currency are nothing but the machinery—the tools—for moving the freight and developing the business of the country; and it is as foolish to invest large amounts of capital in silver that we do not want, as for a railroad company to manufacture a hundred thousand freight cars to move the produce of the country when one-tenth of the number would be more than sufficient for the purpose. It is as culpable for a great nation as for a corporation to purchase a commodity it does not need.

"The country had an excellent and economical circulating medium before the purchase of silver in such large amounts was commenced. It does not need any additional legislation for this purpose. The silver hereafter produced should be sold in the world's market for gold, or exchanged for some other product which we need even more than gold.

"He who advocates the gold standard is the true bimetalist, for he is earnestly in favor of using as much silver as can be used, and maintain gold payments.

"He who advocates free coinage is the true monometalist, for free coinage of silver will drive the gold, except that held as a reserve by the banks, entirely out of use, substituting temporarily loan certificates and other paper issues for money in place thereof, until finally our standard of value shall become the same as the standard of China, Japan and India, instead of that of the advanced nations of Europe."

After discussing briefly the proposition of Mr. St. John, which was in favor of free coinage, coupled with the issue of Treasury notes based on forty per cent. of reserve, composed of equal parts of gold and silver coin and bullion, Mr. Knox said:

"Two months ago it was believed by many that it would be desirable to increase the paper currency of the country. The financial crisis is over. We have now to deal with its results. The currency is being withdrawn from its hiding places; it is returning from the West and from the South, and the vaults of the banks during the next few months will hold too much, rather than too little paper money. What the country needs most of all at the present time is rest. It needs to recover from the financial shock. The discussion of the currency question tends not to revive, but to impede and unsettle business. Capital is timid, and many persons believe that free coinage will bring gold to a premium. Even if they are mistaken, the result will be the same. If free coinage is imminent, gold will be withdrawn from use and hoarded, and every dollar withdrawn has a bad effect. If Congress would dismiss from its consideration the subject of the currency the country would be relieved.

"The Chamber of Commerce believe in the best money, the world's money. It has no prejudice against gold; it has no prejudice against silver. A ten-dollar gold piece contains 258 grains of gold. If ten of these pieces are melted into a bar of gold, that bar of gold will buy $100 worth of goods the world over. But if 100 silver dollars are melted into silver bars they will purchase in China and Japan and India, countries upon the silver standard, only about $80 worth of goods. The purchasing power of the gold is as great without the stamp of the Government, without the legal tender quality, as with it. Silver coin not redeemable in gold has a purchasing power only equal to its intrinsic worth.

"The merchants comprising the Chamber of Commerce have business dealings directly or indirectly with every nation of the globe. They are as generous, as charitable as any body of business men anywhere. But the Chamber of Commerce is not a charitable or eleemosynary institution. It is not a missionary society. It is not a speculative institution. It is not organized to try new experiments in finance on a large scale for the benefit of this country or for the benefit of other countries. It is a business association of merchants. Its object is to encourage trade, to extend commerce, to make this city more and more the financial and commercial center of North America.

"In order to do this the merchants of this city must continue to do business upon the basis of the best money. The records of this Chamber show that from the beginning to the present time for a hundred and twenty years it has pursued but one course, it has had but one opinion upon the subject of the true standard for money. I feel certain that now, when no legislation upon this subject is needed, the Chamber of Commerce will again record its vote, as it has always been recorded, in favor of a gold standard, and in favor of the report which has been made by its Finance Committee.

"This Chamber has from the beginning shown itself to be a careful and judicious body in the consideration of all questions of finance. I know of no financial measure it has ever recommended to Congress of which it should be ashamed.

"If the Congress of the United States shall insist upon legislation contrary to the experience of all other nations; if it shall insist upon trying a great monetary experiment for the benefit of the human race, without concurrence of even one other great nation—not even of France—let Congress alone take the responsibility; let it do so without the indorsement of this Chamber."

From the JOURNAL OF COMMERCE, *Friday, Jan.* 16, 1891.

THREE PECKS TO A BUSHEL.

It is a matter for congratulation that the free coinage proposition pure and simple is in a bill by itself, and is not complicated with other questions. It is a plain, unvarnished attempt to give to the present holders of silver bullion, here or abroad, and to all future producers in any part of the world, the right to have the dollar stamp put on every 371¼ grains of the metal, without regard to its market value, and to offer it as a legal tender for the sum expressed on its face. When this extraordinary measure passed the United States Senate by a vote of 39 to 27, on Wednesday, the 14th day of January, silver was selling in London at 48½ pence, so that the 412½ grains, nine-tenths fine, or 371¼ grains of pure silver, which the dollar contains, was then worth $0,82.23, or say eighty-two and one-quarter cents. This was an advance in price caused by the consideration of the proposed law, for precisely a week before the quotation was 47⅝ pence, making the silver dollar worth to melt only 80¾ cents. The price of silver in this country corresponded to that figure, and had been even lower, so that this in round terms is a proposal to allow every holder of 80 cents' worth of silver the right to have it stamped for him at the mint so that he can pass it for one dollar.

It is true that no act of Congress can make three pecks equal to a bushel of thirty-two quarts, but a law prescribing that three pecks shall be the contents of a bushel, in the legal definition of that term, must work much hardship to those who have committed themselves to a contract when the word had a different meaning. Simply changing the descriptive contents of the bushel measure would lead to much trouble and confusion, but every man who thereafter contracted to buy or sell a bushel of any article would understand that he was only buying twenty-four quarts, and could govern himself accordingly. But when twenty-four quarts are made a legal bushel for the settlement of all previous engagements, the case is widely different. The embarrassment of business increases, and not only that, but the grossest injustice is perpetrated. To say that three pecks shall be a bushel in the settlement of all contracts where there is not an express stipulation for thirty-two quarts, is virtually the same as saying that in all such cases a man who has undertaken to deliver a certain quantity of any produce may satisfy his contract by tendering three-fourths of the amount. He nominally delivers the full quantity, but they are all short bushels.

It is true that the 80 cents' worth of silver when coined is now a legal tender for one dollar, but the few that are issued are made of silver purchased for the mint at its market value, so that the extra 20 cents is left in the Treasury for the common benefit of all the people. But the new plan proposes to give the 20 cents to the outside holder. Instead of the Government buying the silver at $1.04 or $1.05 an ounce, and paying it out at $1.29⅛ an ounce, this bill offers the privilege to outside holders and producers. They may get their 80 cents' worth of silver duly stamped and pay it out for a dollar. If the people to whom it is offered might take it or refuse it at their option the case would be bad enough, but the law makes it a legal tender, so the creditor must take it. By this device the owner of the silver can pay off every dollar of his indebtedness with 80 cents' worth of the metal.

It may be said that the creditor who receives this money can turn around and pay it out again for the same amount, so that he loses nothing by the transaction. But here come the difference. He has loaned a hundred bushels of corn when four pecks made a bushel. The law makes three pecks a legal tender for a bushel, and he gets back from the borrower, nominally, a hundred bushels, but really only 2,400 quarts for the 3,200 quarts he loaned to his neighbor. The law is imperative, and that contract is thus settled. But he turns around now to dispose of the grain thus returned to him. It is true he may call it a hundred bushels and sell it for a hundred bushels, but unless he, too, has a contract previously made, he cannot get for it the same price he could realize for a hundred bushels holding 3,200 quarts.

And this will be the difficulty with the dollar when any one having 80 cents' worth of silver can obtain it in an even exchange. If he owes a hundred dollars for meat or groceries, he can make the butcher or the grocer take the coin for settlement. But when he goes for more meat and groceries he will find that the price (in exchange for silver dollars) has gone up. The butcher and the grocer will tell him that if he brings the gold he can buy at the old rates, but if he insists in paying in silver he must pay the difference between the market price of the silver dollars and that of a gold piece of similar face value. This may not be 20 per cent. at once, but the selling price for the two metals will gradually widen until each will pass for the market value of its intrinsic contents.

The mistake is in supposing that natural laws can be set aside and their operation absolutely prevented by an act of Congress. Even those who see that the laws of one country cannot produce this effect in the face of the world, seem to have no doubt but what the combined legislation of all nations would possess such a power, which might be exercised if there was a common agreement on the subject. The man who has a hundred dollars in gold sends it to London to settle an account. It is not received as dollars, but as 2,580 grains of gold, nine-tenths fine. It is melted and it turns out 2,322 grains of fine gold, so that his remittance nets him a little over twenty pounds sterling. If he sends out a hundred dollars in silver that too is melted, making 37,125 grains of silver bullion, for which he would get at current rates less than seventeen pounds sterling. All the acts of Parliament that could be passed would not wholly change this result. Gold does not derive its value solely by the fiat of the Governments that use it as currency. If by common consent not another gold coin was struck at any mint, and every piece was withdrawn from circulation, it would still be wanted, and would have a high market value as a beautiful, malleable, incorrodable metal useful for a thousand purposes outside of the currency.

The country will survive the shock, whatever is done, but some people will learn a very costly lesson from the experience if they go to school to this expensive teacher.